

GENERAL AMERICAN OIL COMPANY OF TEXAS



*33rd Annual Report
Year Ended June 30, 1969*



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Year Ended June 30, 1969

FINANCIAL HIGHLIGHTS

	Year Ended June 30, 1969	Year Ended June 30, 1968
Gross operating income.....	\$ 49,312,686	\$ 46,690,110
Operating income	\$ 18,949,149	\$ 19,356,474
Net income:		
Before extraordinary capital gains.....	\$ 18,301,522	\$ 17,124,525
Capital gains, including the 1968 sale of Fargo Oils Ltd. stock, net of tax.....	644,749	6,197,880
Net income	\$ 18,946,271	\$ 23,322,405
Net income per common share (1):		
Before extraordinary capital gains.....	\$ 3.36	\$ 3.32
Extraordinary capital gains, net of tax.....	.12	1.20
Net income per common share.....	\$ 3.48	\$ 4.52
Cash flow (2).....	\$ 36,070,475	\$ 32,398,166
Cash flow per common share (1) (2).....	\$ 6.63	\$ 6.28
Capital expenditures	\$ 18,326,201	\$ 13,347,123
Common stockholders' equity.....	\$184,737,207	\$167,046,091
Dividends paid per common share:		
Cash (3)	\$.60	\$.55
Stock	3%	3%

OPERATING HIGHLIGHTS

	Year Ended June 30, 1969	Year Ended June 30, 1968
Crude oil and condensate sales — net barrels.....	10,767,637	10,498,750
Gas sales — net MCF.....	75,266,248	65,933,251
Wells drilled — net	43	19
Wells operated — gross	1,809	1,862
Wells owned — net	1,783	1,815

- (1) Based on average number of shares outstanding, adjusted for stock issued as dividends and for Premier Petrochemical Company: 1969 — 5,438,355 shares; 1968 — 5,157,596 shares.
- (2) Net income before extraordinary capital gains, increased by non-cash expenses and expensed exploratory charges.
- (3) Quarterly cash dividend increased from \$.10 per share to \$.15 per share on January 2, 1968.

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Officers and Directors

General American Oil Company of Texas

OFFICERS

ALGUR H. MEADOWS, *Chairman of the Board and Executive Committee*
WILLIAM P. BARNES, *President*
FREDERICK H. CONNALLY, *Executive Vice President, Finance*
LEWIS P. O'NEILL, *Executive Vice President, Operations*
JERE G. HAYES, *Secretary and Vice President, Legal*
J. DONALD BROWN, *Vice President, Purchasing*
JAMES W. GOSS, *Vice President, Land*
JOE M. HAAS, *Vice President, Engineering*
FRED C. HIGGINBOTHAM, JR., *Vice President and Treasurer*
CHARLES M. KENNEDY, *Vice President and Controller*
NORMAN W. KROUSKOP, *Vice President, Production*
GEORGE RHODUS, *Vice President and Assistant to the President*
ROBERT M. SWESNIK, *Vice President, Foreign Operations*
MALCOLM E. WILSON, JR., *Vice President, Geology*
JOHN T. REYNOLDS, *Assistant Vice President, Production*
MARTIN W. VERNON, *Assistant Vice President, Geology*
DONALD C. APELAND, *Assistant Secretary*
JOHN C. COOPER, *Assistant Secretary*
BRYAN T. CRENSHAW, *Assistant Treasurer and Assistant Secretary*

EXECUTIVE COMMITTEE

ALGUR H. MEADOWS, *Chairman*
WILLIAM P. BARNES
FREDERICK H. CONNALLY
LEWIS P. O'NEILL

DIRECTORS

ALGUR H. MEADOWS, *Chairman, Dallas, Texas*
RUSHTON L. ARDREY, *Dallas, Texas*
WILLIAM P. BARNES, *Dallas, Texas*
PAUL A. CONLEY, *New York, New York*
FREDERICK H. CONNALLY, *Dallas, Texas*
J. J. DANIEL, *Jacksonville, Florida*
SYLVESTER DAYSON, *Dallas, Texas*
JOSEPH W. DAVIN, *Jacksonville, Florida*
CHARLES W. LEWIS, *New York, New York*
PAUL W. MATTHEWS, *Toronto, Canada*
FREDERICK M. MAYER, *Dallas, Texas*
LEWIS P. O'NEILL, *Dallas, Texas*
CHARLES B. SHERROUSE, *Monroe, Louisiana*
GORDON SIMPSON, *Dallas, Texas*
JOHN M. STEPHENS, *Tyler, Texas*
JAMES R. STOCKTON, JR., *Jacksonville, Florida*
ROBERT M. SWESNIK, *Dallas, Texas*
JIM M. VAUGHN, *Tyler, Texas*
BROWN L. WHATLEY, *Miami, Florida*



President's Letter

TO THE STOCKHOLDERS:

The most important development of the fiscal year just closed was the Company's entry into Alaskan oil and gas exploration by acquisition of two State of Alaska leases in the Prudhoe Bay area of the North Slope and the drilling thereon now in progress. The outcome of this test is not yet known but it can be safely said that seldom does a business opportunity arise offering such a favorable risk-reward ratio.

The Financial and Operating Highlights set forth on the first page of this report show all time Company highs in production of oil and gas and gross operating income. When extraordinary items are excluded, all time records were also achieved in net income and cash flow. Net income was increased by improved crude prices for the last third of the year, reduced interest expense and increased yield on short term investments. Increased emphasis on exploration resulted in greater charges for dry hole and other related expenses. Despite the fact that the Company's drilling success ratio and finding costs are better than averages in the industry, it should be stated that exploration costs will probably increase in the future and may in some years penalize net income.

It is hoped that through success in exploration the Company cannot only maintain its hydrocarbon reserves but augment them and improve future profits. Under present money market conditions and uncertainty with respect to pending legislation, producing property acquisitions cannot be expected to make a significant contribution to the growth of the Company. Eventually these conditions will change and acquisitions will again play a major role in the growth of GAO.

Oil and gas exploration is a high risk business and the industry needs the tax incentives, deplored by its critics, in order to continue to provide for national defense and the relatively inexpensive energy sources now enjoyed by the American public.

Yours very truly,


President

September 5, 1969
Dallas, Texas

Domestic Operations

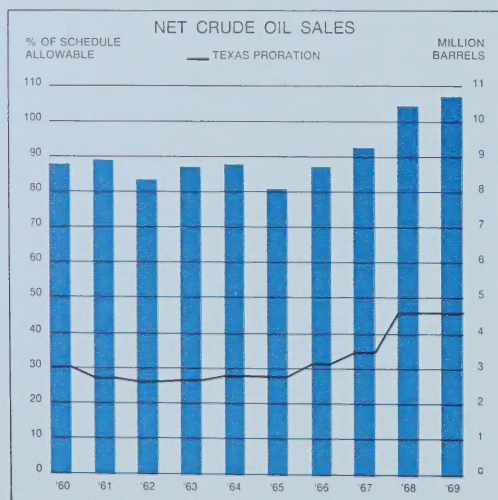
ACQUISITIONS

During the fiscal year, the Company considered 103 submittals of producing oil and gas properties and was successful in closing six purchases consisting of various working interests in East Texas, Oklahoma and along the Texas Gulf Coast. The total consideration for these acquisitions was 1.3 million dollars in cash and production payments. Company engineers estimate that these acquisitions have added 1.5 million barrels of oil and 1.7 billion cubic feet of gas net to the Company's interest.

At year-end, seven oil and gas properties were being evaluated for possible acquisition.

DRILLING

The Company drilled 29 wells and participated in 46 drilled by others, for a total of 75. This compares with 16 drilled by GAO and 41 by partners in 1968, for a total of 57 wells. The Company's interest was 39 net wells in 1969, compared with 17 in 1968. Of the 39 net wells, 13.5 were productive of oil or gas and 25.5 were dry.



Although the gross number of wells increased 18 from the previous year, the actual footage drilled in 1969 was 660,300 feet of hole for an average depth of 7,419 feet per well, as compared to 620,000 feet of hole in 1968, for an average depth of 10,875 feet per well.

In addition to the above, 35 productive oil and gas wells were drilled on leases in which the Company owns royalty or net profit interests.

PRODUCTION

The Company, at June 30, 1969, owned interests in 7,192 oil and 1,267 gas wells, equivalent to 1,388 net oil and 193 net gas wells, or a total of 1,581. This compares with 1,610 net wells at June 30, 1968. General American operated 1,612 gross wells at June 30, 1969, compared with 1,665 during the previous year.

For fiscal 1969, net domestic oil and condensate sales were 9,182,958 barrels and net gas sales were 73,219,822 MCF. These compare with 9,155,093 barrels and 63,645,359 MCF in fiscal 1968, and represent increases of 0.3% and 15% respectively. High gas demand, resulting in increased takes at Valentine and Block 45, together with new production from Block 45, Southeast Gueydan and Bayou St. Vincent, accounted for the increased gas sales.

Texas allowables were 46.31% of the scheduled well allowables in 1969, the same as 1968. Details of oil and condensate sales are shown on page 5 and gas sales on page 7.

ACREAGE

On June 30, 1969, the Company owned 716,682 net lease acres in the United States, of which 146,971 were producing and 569,711 were non-producing. Although net producing

acres declined slightly, non-producing acreage, principally through acquisitions in Montana and North Dakota, increased 94,285 net acres. (Details of acreage, by States, are shown on page 9.)

ALASKA

An undivided one-half interest in two State of Alaska oil and gas leases, covering 4,787 acres in the Prudhoe Bay area on the North Slope, was acquired from Messrs. Tom Miklautsch and C. Burglin, of Fairbanks, Alaska, for 36,364 shares of the Company's common stock in January, 1969. These shares had a market value of \$2,000,000 at the time negotiations were concluded. Miklautsch and Burglin then contributed their remaining one-half interest in the two leases to a joint venture with GAO, and reserved a \$4,000,000 production payment payable out of 25% of the working interest production. General American is to advance all funds to develop and operate the leases, and will receive all income, after deduction of payments of royalty and applications on the production payment, until it has received payment of \$6,000,000 and recoupment of development and operating expenses. When GAO has received payment of such sums, expenses and revenues will be shared 75% by the Company and 25% by Miklautsch and Burglin.

On March 12, 1969, the Company entered into a joint venture agreement with Hamilton Brothers Oil Company for the drilling of a well on this acreage. Under the terms of this venture, Hamilton Brothers is to pay all costs and expenses of drilling, completing and equipping the well to a depth to test the formations productive in the Atlantic-Richfield-Humble Prudhoe Bay No. 1 discovery well, which is approximately 6 miles south of the leases. Upon reaching the contract depth, Hamilton Brothers will earn an interest in the drill site only and will be entitled to 50% of the revenues until a designated payout.

Upon payout, their interest may reduce depending on the size of the well spacing units set by the State of Alaska, but in no event will their interest exceed forty net lease acres.

This well, Hamilton Brothers Oil Company-General American Oil Point Storkersen No. 1, is now drilling at a location which is a direct offset to unleased State lands which will be offered at the State of Alaska sale to be held on September 10, 1969. For this reason, Hamilton Brothers is withholding all information concerning this well. GAO will have an opportunity to participate for a 15% interest in any leases Hamilton Brothers may acquire in the area of interest, as defined in the Joint Venture Agreement. Among the State lands offered for sale are five tracts totaling 12,795 acres which lie within the area of interest.

SALES OF OIL AND CONDENSATE—BARRELS

Year Ended June 30

	<u>1969</u>	<u>1968</u>
<i>United States:</i>		
Texas	4,865,561	5,061,733
Louisiana	2,820,413	2,379,212
Oklahoma	623,329	642,291
New Mexico	567,226	737,923
Kansas	153,126	177,905
California	96,012	100,282
Illinois	28,299	34,532
Other States	28,992	21,215
	<u>9,182,958</u>	<u>9,155,093</u>
<i>Canada:</i>		
Alberta	36,822	30,016
British Columbia ..	279,743	264,670
Saskatchewan	1,268,114	1,048,971
	<u>1,584,679</u>	<u>1,343,657</u>
	<u>10,767,637</u>	<u>10,498,750</u>

LOUISIANA

In Lake Verret, Assumption Parish, General American owns a 35% interest in a 9,000-acre block on which the No. 1-4919 State of Louisiana well was completed in June, 1969 as a wildcat discovery. This well penetrated more than 150 feet of Miocene sands believed gas productive from electric log analyses and flow tests of the lowest sand member. On potential test, this well flowed at a rate of 9,600,000 cubic feet of gas plus 208 barrels of condensate per day through a 16/64-inch choke from perforations from 14,680 feet to 14,690 feet, flowing tubing pressure 8,240 pounds.

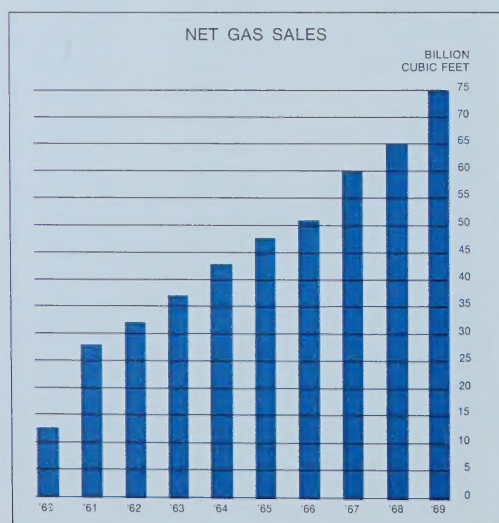
Including the discovery well, three wells have been drilled on this lease block. One of these which was drilled on a prospect unrelated to the discovery was dry. The other was a north offset to the discovery well and produced 2,570,000 cubic feet of gas plus 97 barrels of condensate per day from perforations from 14,736 feet to 14,753 feet. A fourth well is now drilling and further development drilling is anticipated.

The Company made two purchases of lease acreage offsetting Block 45 field, offshore Cameron Parish. A 1,250-acre lease was ac-

quired adjoining the southwest corner of the Company's lease block at the November 19, 1968 Federal Drainage Sale. Two tests drilled on this lease were unsuccessful but further drilling is planned based on information gained from drilling and seismic reinterpretation. On the north portion of the Block 45 field, the Company was the purchaser of a 687-acre lease at the State of Louisiana Sale held on May 14, 1969. In August a well on this tract was dually-completed and flowed 5,000,000 cubic feet of gas per day and 140 barrels of condensate from one completion and 4,850,000 cubic feet of gas per day with 48 barrels of condensate from the other. Additional drilling is planned on this lease.

GAO has joined three other companies in a geophysical and exploration program covering offshore Western Louisiana. The Company's interest is 25% and it is anticipated that the group will bid jointly at future Federal offshore sales and conduct joint drilling operations on acreage purchased. The area of interest in which the group is operating encompasses some 12,000 square miles.

In the Fordoche field, Pointe Coupee Parish, a sixth well has been completed on our 2,450-acre block farmed out to a major oil company. General American retained a 10% overriding royalty convertible to a 50% net profit overriding royalty in each well after payout. The average depth of these wells is 14,250 feet and the cost varies from \$800,000 for the first to approximately \$500,000 for the later wells. One of these wells will pay out early this fiscal year and the Company will have the option to convert its overriding royalty interest to a 50% net profits overriding royalty.



TEXAS

GAO and others completed a Smackover Lime discovery in Bowie County for 4,750,000 cubic feet of gas per day, and 117 barrels of condensate through perforations from 9,518 feet to 9,524 feet. Unfortunately, the gas has a low Btu content and will be penalized in price. One additional well is planned.

In Shackelford County, the Company acquired a 25% interest in a 1,000-acre block. Three 4,500-foot Mississippian reef wells have been drilled and one dry hole. The Company has also acquired a 50% interest in an additional 2,000 acres, and the first exploratory well on this acreage will be commenced in the immediate future.

General American joined in the formation on January 1, 1969 of the East Penwell (San Andres) Unit in Ector County, Texas, and on March 1, 1969 of the Seminole (San Andres) Unit in Gaines County, Texas. Facilities are being installed to inject water into each of the reservoirs. Company engineers estimate that these two floods will increase the ultimate recovery by 4,700,000 barrels of oil net to General American's interest.

On November 1, 1968 waterflood operations commenced in a shallow depleted Permian oil sand underlying the 160-acre Woods lease in the Sho-Vel-Tum field, Stephens county, Oklahoma. Additional recoverable reserves of 430,000 barrels are expected from this tract.

MONTANA

The Company's drilling program in the Powder River Basin was completed this year without finding production. Approximately 263,375 net lease acres are now held in this area which is sparsely drilled and remains prospective. To date, the Company has invested less than \$5 per acre in this area, including acquisition costs, rentals, drilling and other expense. Over 483,290 feet of hole have been drilled by the Company and others on or in the immediate vicinity of GAO leases. Other companies have already announced plans to drill 47 additional wells in this area and General American will support 20 of these tests with dry hole contributions. Approximately 250,000 feet of drilling will result from the aforementioned programs and the cost to GAO for its dry hole support will be approximately \$63,500.

NORTH DAKOTA

The Company has acquired oil and gas leases covering 127,752 acres in five counties. Evaluation by drilling of some of these prospective areas is planned for next year.

WYOMING

In Campbell County, Wyoming, General American completed a well for 328 barrels of oil per day at a depth of 9,470 feet in the Muddy formation. The Company owns a 37½% leasehold interest in a 1,280-acre block. A second test well was drilled, but was unsuccessful. Further drilling plans are dependent upon results of drilling in the vicinity by others.

PIPELINE

A wholly-owned subsidiary, General American Pipe Line Company, operates a 208-mile gathering system connected to 1,703 wells in the East Texas field. A 40-mile trunk line extends from this system to Bullard, Texas, where it connects with a main line of The Pure Oil Company, a division of Union Oil Company of California.

SALES OF GAS — MCF

Year Ended June 30

	<u>1969</u>	<u>1968</u>
<i>United States:</i>		
Texas	5,370,028	5,968,779
Louisiana	64,351,469	54,405,492
Oklahoma	547,411	651,683
New Mexico	2,234,713	1,825,302
Kansas	235,978	241,589
Other States	480,223	552,514
	<u>73,219,822</u>	<u>63,645,359</u>
<i>Canada:</i>		
British Columbia.	490,246	624,242
Saskatchewan ...	1,556,180	1,663,650
	<u>2,046,426</u>	<u>2,287,892</u>
	<u>75,266,248</u>	<u>65,933,251</u>



Well Completions
YEAR ENDED JUNE 30, 1969

		Gross Wells									Net Wells					
UNITED STATES — <i>Company Operated</i>		Depth (Feet)	Total	Development			Exploratory			Total	Development			Exploratory		
				Oil	Gas	Dry	Oil	Gas	Dry		Oil	Gas	Dry	Oil	Gas	Dry
Kansas	Aldrich, Ness Co.	4,300	1	1						.95	.95					
Louisiana	DeQuincy, Calcasieu Ph.	6,000	1		1					1.00		1.00				
	Valentine, Lafourche Ph.	12,500	2						2	1.00						1.00
	Cameron Ph. (Wildcat)	5,900	1						1	1.00						1.00
	W. Cam. — Blk. 45, Cameron Ph.	11,100	3			3				2.50			2.50			
	Cameron Ph. (Wildcat)	16,000	2					1	1	1.50					1.00	.50
	Jefferson Davis Ph. (Wildcat)	8,900	1				1			1.00				1.00		
	Lafourche Ph. (Wildcat)	9,200	1						1	.50						.50
	Plaquemines Ph. (Wildcat)	11,200	1				1			1.00				1.00		
Montana	Custer Co. (Wildcat)	5,500	2						2	2.00						2.00
	Prairie Co. (Wildcat)	5,700	3						3	1.84						1.84
Oklahoma	Sho-Vel-Tum, Stephens Co.	1,100	4	4						3.80	3.80					
Texas	N. E. Loma Novia, Duval Co.	8,900	1		1					.38		.38				
	East Texas, Rusk Co.	3,800	2	2						.63	.63					
	Spraberry, Midland Co.	11,800	2		2					.98		.98				
Wyoming	Kingsbury Creek, Campbell Co.	9,900	1			1				.38			.38			
	Campbell Co. (Wildcat)	9,600	1				1			.38				.38		
	TOTAL		29	7	4	4	3	1	10	20.84	5.38	2.36	2.88	2.38	1.00	6.84
UNITED STATES — <i>Partner Operated</i>																
Arkansas	Lafayette Co. (Wildcat)	11,300	1						1	.50						.50
Louisiana	Vatican, Lafayette Ph.	10,200	1	1						.01	.01					
	Vermilion-Blk. 16, Vermilion Ph.	15,100	3		3					.03		.03				
	Acadia Ph. (Wildcat)	10,500	1						1	.25						.25
	Assumption Ph. (Wildcat)	15,000	2				1	1		.70				.35		.35
	Evangeline Ph. (Wildcat)	14,000	1						1	.40						.40
	St. Charles Ph. (Wildcat)	10,500	1						1	.50						.50
Montana	Prairie Co. (Wildcat)	6,200	24						24	12.00						12.00
Oklahoma	Konawa-Dora, Seminole Co.	3,000	1			1				.02			.02			
Texas	Brantley-Jackson, Hopkins Co.	9,400	1	1						.11	.11					
	Dora Roberts, Midland Co.	12,400	1		1					.31		.31				
	Foster, Ector Co.	4,300	1	1						.32	.32					
	Bowie Co. (Wildcat)	9,700	1					1		.38					.38	
	Hopkins Co. (Wildcat)	5,100	1						1	.06						.06
	Shackelford Co. (Wildcat)	4,600	3				2		1	1.50				1.00		.50
Wyoming	Natrona Co. (Wildcat)	4,600	3						3	1.50						1.50
	TOTAL		46	3	4	1	2	1	34	18.59	.44	.34	.02	1.00	.73	16.06
	TOTAL UNITED STATES		75	10	8	5	5	3	44	39.43	5.82	2.70	2.90	3.38	1.73	22.90
CANADA																
Alberta	Virgo Area	5,200	3				1	1	1	1.00				.25	.50	.25
British Columbia	Beaton River Area	3,500	1			1				.20			.20			
	Blueberry Area	5,300	2						2	.89						.89
	Blueberry Area	6,100	6	1	1	2		1	1	1.46	.15	.29	.58		.15	.29
	Buick Creek Area	6,800	1						1	.14						.14
	TOTAL CANADA		13	1	1	3	1	2	5	3.69	.15	.29	.78	.25	.65	1.57
SPAIN																
Burgos	Arco Iris	7,200	1						1	.35						.35
	TOTAL WELLS		89	11	9	8	6	5	50	43.47	5.97	2.99	3.68	3.63	2.38	24.82

Dual or multiple completions shown as single well.
Service wells are excluded.

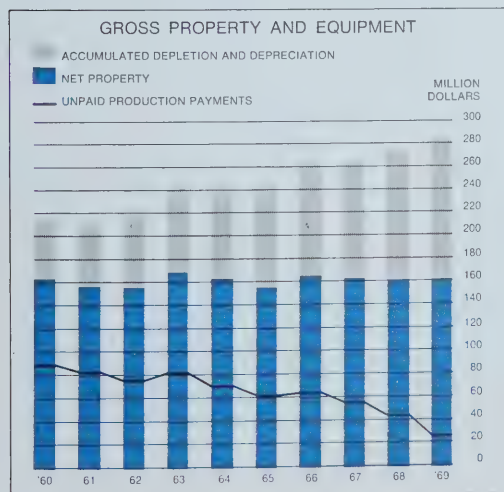
The major portion of the crude is sold under a long-term contract to Pure, both at Bullard, Texas and at delivery points within the East Texas field.

Due to the reduction in the wells connected to the system and lower production, the sales for fiscal 1969 were 5,326,840 barrels, down from 5,958,988 for the previous year.

Reserves

Company engineers estimate the proven net reserves as of June 30, 1969 to be 139.7 million barrels of crude oil and condensate and 933.1 billion cubic feet of gas. There is included in these reserves 6.4 million barrels of crude oil and condensate and 86.6 billion cubic feet of gas applicable to the liquidation of principal and interest of production payments. Despite production of just under 11 million barrels of oil, liquid reserves were increased 2 million barrels over last year by drilling, property acquisitions, secondary recovery project development and active exploitation of the Company's older producing properties.

These estimates do not include reserves recoverable by secondary recovery methods,



NET ACRES UNDER LEASE

as of June 30, 1969

UNITED STATES	Producing	Non-Producing
Alaska	—	4,787
Arkansas	240	—
California	2,933	161
Colorado	1,120	5,500
Illinois	623	—
Kansas	8,363	2,341
Louisiana	40,143	25,392
Mississippi	142	21,894
Montana	—	263,375
New Mexico (1)	15,226	52,450
North Dakota	—	127,752
Oklahoma	8,836	40
Texas	69,042	44,023
Wyoming	303	21,996
	<u>146,971</u>	<u>569,711</u>
CANADA		
Alberta (2)	296	39,531
British Columbia (3)	11,487	154,727
Northwest Territories (2)	419	22,593
Saskatchewan	13,930	—
	<u>26,132</u>	<u>216,851</u>
Totals	<u>173,103</u>	<u>786,562</u>

- (1) Includes 49,770 acres in which the Company owns oil rights (which are held by gas production) but owns only a net profits interest in gas production.
- (2) Includes Permit as well as lease acres.
- (3) Includes 105,860 acres which represent net profit overriding royalty interests under 431,178 gross acres.

unless active operations have been started, or unless pilot floods have been successfully operated in the same field or in similar fields in the area.

No gas reserves are carried for the Company's net profit interests in northeastern British Columbia under some 437,000 acres on which there are located a number of gas fields. Deliveries from some of these fields commenced on April 1, 1969 and a reserve study is under way.

Foreign Operations

CANADA

In November, 1968, General American Oils, Ltd., a wholly-owned subsidiary, established offices in Calgary to enable the Company to participate much more actively in the rapidly expanding Canadian oil and gas industry. Mr. Russell E. Dertell, Vice President and General Manager of General American Oils, Ltd., is in charge of this office.

The Company, at June 30, 1969, owned interests in 732 oil and 56 gas wells, equivalent to 185 net oil and 17 net gas wells. Net production of oil for fiscal 1969 totaled 1,584,679 barrels, up 17.9% from the 1,343,677 barrels recorded in the previous year. Net gas production amounted to 2,046,426 MCF, compared to 2,287,892 MCF for the 1968 fiscal year.

A significant part of the Company's production is from the Coleville field, in which GAO operates 197 producing and 84 injection wells. Good response to secondary recovery has caused a further increase in production, notwithstanding some severe pipeline proration during May and June of 1969. For fiscal 1969, Coleville production amounted to 1,260,955 net barrels of oil, compared to 1,043,715 net barrels produced in the previous year. A substantial improvement in markets for heavy oil is projected for 1970, which should be reflected in increased production from Coleville.

The Blueberry and Inga oil fields in north-eastern British Columbia account for most of the balance of the Company's Canadian production. For fiscal 1969, the Company's production was 279,743 barrels, compared

with 264,670 barrels for the previous year. Unitization of the Inga field was completed August 1, 1968, and pressure maintenance by waterflood was begun in June, 1969. Increased allowables have been set for the coming year.

General American owns a 25% net profit overriding royalty interest in 234,057 acres in the Fort Nelson area of northeast British Columbia. There are fifteen wells completed on this acreage, 6 in the Yoyo field, 4 in the Kotcho Lake field, 4 in the Cabin Creek field and 1 in the Kathy field. Five of these wells in the Kotcho Lake and Yoyo fields are presently connected by a 24" pipeline to the Clarke Lake extension of the West Coast Transmission Company Limited facilities. After numerous line breaks during testing, this line was completely replaced and went on stream April 1, 1969. General American receives no income until the exploration and development costs have been recovered.

SPAIN

General American continued its exploration program in Spain, operating through Valdebro, a venture owned 51% by the Instituto Nacional de Industria (INI), a branch of the Spanish Government, and 49% by an American Group. GAO had a 35% participation in the entire venture.

Two wells were drilled on the Retuerta Permit, Arco Iris No. 1, abandoned at 7,178 feet on August 12, 1968, and Eñgana No. 1 Bis, abandoned at 8,376 feet on July 31, 1969.

Negotiations are now in progress which will culminate in either a termination of the venture or a major reduction of interest by the American Group. All work commitments have been fulfilled.

Stockton, Whatley, Davin and Company

The Company's wholly-owned subsidiary, Stockton, Whatley, Davin & Company, completed another record year with net income of \$2,354,757, including extraordinary income of \$370,448 from the sale of securities held as an investment. Net income, excluding the extraordinary item, was \$1,984,309, an increase of 9% over the prior year.

The earnings for the year were especially significant in view of conditions which characterized the mortgage market during most of the period. While the fiscal year began on an encouraging note with interest rates receding from the late spring peaks after passage of the long-awaited tax bill, the improvement proved to be short lived. Interest rates began to rise sharply again in the fall, and before the end of the year were higher than during the summer of 1966 or the spring of 1968. During the last half of the fiscal year, the prime rate was increased three times to 8%.

In spite of the fact that housing has borne the brunt of tight credit, SWD closed 4,399 mortgage loans totaling \$92,284,582, compared to \$92,600,000 in fiscal 1968. Residential production loans accounted for \$70,007,352, or 76%, down slightly from \$72 million the previous year. Income producing property loans totaled \$20,387,200, or 22% of closings, up from \$19,500,000 in 1968. At June 30, 1969, the mortgage servicing portfolio reached a new high of \$708,155,000, a 9% increase for the year. Insurance commissions increased 12% to \$1,228,358 on premiums of \$5,633,805. Real estate sales commissions increased 21% to \$549,997 on sales of \$16,578,419. At year-end, income loan commitments outstanding were in excess of \$90 million, and it is estimated

that two-thirds of these projects will be completed in 1970.

The Ponte Vedra Corporation completed another successful year in spite of a substantial increase in expenses. Net income rose 19% due primarily to an increase in real estate commissions and lot sales. Extensive capital improvements were made to the Club facilities during the year, amounting to well over \$1 million, and included the completion of a 32-room addition on the ocean, the renovation of the South nine of the golf course, and extensive modernization of the water system.

Since 1961, SWD has furnished management for Arvida Corporation under the terms of a management contract entered into in December of that year. For its services to Arvida, SWD receives an annual fee and a related stock option under the terms of an agreement with The Pennsylvania Railroad Company (now Pennsylvania New York Central Transportation Co.) dated July 26, 1965. At the time of entering into this agreement, SWD purchased 222,351 shares of Arvida common stock for \$1,334,196, or \$6.00 per share. Based on the quoted bid price for Arvida stock on August 27, 1969 of 17 3/8, SWD has an unrealized profit of 11 3/8 per share, or \$2,529,242.

SWD has not exercised any of its options provided for in the Pennsylvania Railroad agreement, but under the terms of the agreement, it is in a position to do so as to 923,698 shares. The option price currently applicable is \$7.80 per share. SWD presently has a potential profit in the unexercised options of \$8,844,408 based on the aforementioned quoted market price. It is anticipated that all options will be exercised prior to the expiration date on July 25, 1970. Arvida shares acquired under the option are to be held by SWD as an investment and not with a view to or for sale.

Premier Petrochemical Company

The net income of Premier Petrochemical Company for fiscal 1969 was \$306,559, down from \$712,694 for the previous year. Urea sales volume for the year was 79,048 tons, compared with 74,328 tons for the prior year. Despite the 6.3% increase in volume, sales revenues, after deduction of freight, storage and commissions, fell from \$3,797,123 to \$3,591,345, or 5.4%. This decline was due principally to lower selling prices in the export market. Export sales rose from 18,487 tons, or 24.8% of sales, in fiscal 1968 to 57,710 tons, or 73% of sales, in fiscal 1969. Profits were further reduced by increased shipping, bagging and handling costs, which are normally higher for export sales. Additional expenses this year were incurred as a result of the four-month strike by Longshoremen in the Houston area, which brought about delays in shipping and added to storage costs.

The outlook for an amelioration in the urea market for the short term can scarcely be termed encouraging. The export market appears to hold the most promise for Premier, which is better situated than many of its competitors to serve this market. As a result of export sales, urea inventory has been reduced from 14,305 tons at July 1, 1968 to 5,455 tons at June 30, 1969.

Completion date for Premier's melamine plant is now estimated for October, 1969. The delay in completion, which was originally scheduled for June, 1969, was the result of the Ironworkers strike, other strikes affecting suppliers and fabricators, and plant redesign by the licenser. Inflation and expense relating to the aforementioned delays have increased estimates of the cost of the completed facility appreciably. The market prospects for melamine remain good, and it is anticipated that the operation will prove profitable.

Personnel

REMUNERATION

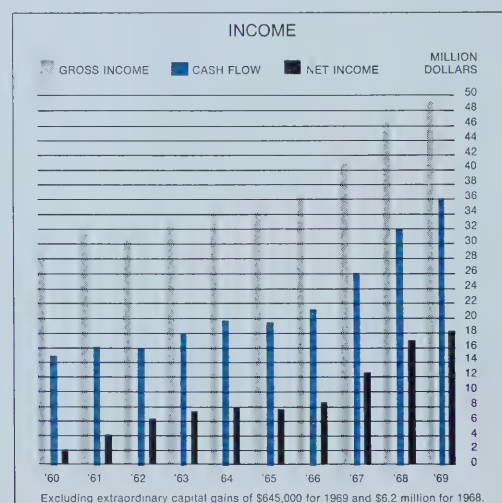
The average number of employees in the various operations and their direct compensation for the fiscal year is shown below:

	Number	Compensation
Oil and gas operations	400	\$3,319,023
SWD, excluding Club	432	2,966,710
Ponte Vedra Club	324	1,102,108
Premier Petrochemical Co.	30	330,479
Meadows Building	39	166,971
	<u>1,225</u>	<u>\$7,885,291</u>

The total number of employees increased by 49, due entirely to SWD and Ponte Vedra Club operations. Total compensation increased \$751,784, or 10.5%.

STOCK BONUS PLAN

The Company contributes an amount equal to 10% of direct compensation of participating employees into the Stock Bonus Plan. GAO shares are purchased by the Plan in the open



market. At June 30, 1969, the Plan owned 80,369 shares purchased at a cost of \$2,238,550, or \$27.85 per share.

RETIREMENT PLAN

The Retirement Plan is self-administered on an actuarial basis. The Meadows Building, which houses the general offices of the Company, is one of the major assets of the Trust, which also has investments in oil royalties, real estate and securities.

The cost is 13.7% of the direct compensation of eligible employees, of which 6.8% is for funding the past service deficiency. In lieu of an actuarial retirement plan, SWD has a profit sharing plan — 10% of net profits before income taxes. See "Notes to the Financial Statements".

The retirement of Frederick H. Connally, Executive Vice President, Finance, on July 1, 1969, capped a long and distinguished career with the Company. GAO is fortunate in that Mr. Connally's talents will continue to be available to the Company through service on its Board of Directors.

IN MEMORIAM

J. Kenneth Rigsbee, Secretary since 1941, and a Director of General American Oil Company of Texas since 1966, passed away December 11, 1968. He served the Company since its founding and will be sorely missed by his fellow employees, friends and associates at GAO.

James Roosevelt Stockton died February 11, 1969. Prior to his retirement, Mr. Stockton served as Chairman of the Executive Committee of Stockton, Whitley, Davin & Company and as a Director of General American Oil Company of Texas.

Financial Review

INCOME

For the year ended June 30, 1969, net income and cash flow, excluding extraordinary items, and gross operating income advanced to all-time highs. Net income, excluding extraordinary items, was \$18,301,522, or \$3.36 per share, an increase of \$1,176,997, or 6.9%, over the previous year. Capital gains, less applicable income tax, were \$644,749, or \$.12 per share.

Gross operating income was \$49,312,686, up \$2,622,576, or 5.6%. Crude and condensate sales revenue increased \$1,488,397, or 4.7%, due to a 2.6% increase in production and to higher postings for crude in the fourth quarter. Sales of natural gas increased \$1,460,121, or 12.2%, due principally to surging demand.

Cash flow (net income before deducting depletion, depreciation and exploratory charge-offs) was \$36,070,475, excluding capital gains, a \$3,672,309 increase, or 11.3%.

Operating expenses were \$30,363,537, up \$3,029,901, or 11%. Of the \$3,029,901 increase, taxes and provisions for depletion and depreciation, related to increased production, accounted for \$1,195,961, or 39.4%. Greater emphasis on exploration increased dry hole expenses \$1,313,225.

Interest expense was \$2,779,721, a decrease of \$897,304, or 24%. Interest and miscellaneous income increased \$687,018 to \$2,132,094, or 47.5%. These improvements resulted from the normal reduction in the principal of production payments and a better yield on short-term investments.

WORKING CAPITAL

At June 30, 1969, working capital was \$10,087,193, compared to \$16,003,462 a year earlier. The \$5,916,269 reduction in working capital resulted principally from capital expenditures of \$18,326,201, a \$4,979,078 increase over the previous year. The current ratio is 1.95 to 1.

INVESTMENTS

The investments in the two wholly-owned unconsolidated subsidiaries are carried at book equity for Stockton, Whatley, Davin & Company and at book equity plus \$1,350,000 advanced as a loan in connection with the melamine plant construction for Premier Petrochemical Company.

OTHER ASSETS

Included in other assets of \$24,960,119 was \$24,061,485 of accounts receivable collectable from production. Net profit royalty interests are treated for financial accounting as outside joint interests, and expenditures applicable thereto, less applicable receipts, are charged into these accounts. Upon payout of the related production payments, the funds being applied thereon will revert to and quickly liquidate the net profit balances. Effective with July, 1969 sales, the production payments involved in the Mecom and San Jacinto deals will pay out. Approximately \$600,000 per month will then be applied to liquidate

\$9,910,000 included in the above accounts receivable. The collection of these accounts receivable will have no effect on earnings, but will strengthen the cash position of the Company.

PROPERTY

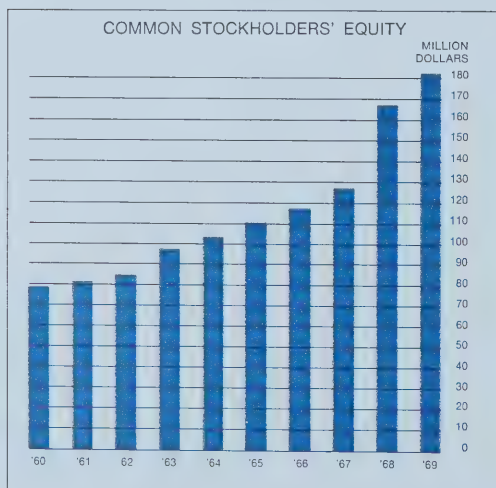
Gross property and equipment accounts were \$285,766,871, an increase of \$8,856,269. Of this increase, \$6,702,563 was in undeveloped leases, primarily resulting from major acquisitions in the Prudhoe Bay area of Alaska's North Slope and offshore Louisiana tracts acquired in Federal Drainage Sales. The balance of unpaid production payments at June 30, 1969 was \$26,732,337, a decrease of \$16,952,665.

DEFERRED INCOME

Deferred income of \$4,951,341 resulted primarily from the sale of carved-out production payments for tax purposes—\$4,500,000 from the April 18, 1969 sale and \$329,636 remaining from the June 30, 1968 sale. It is the Company's policy to defer the income from such sales, and to report the income only as the oil and gas is produced and the sale proceeds thereof applied on the production payments.

CAPITAL

The book equity of stockholders at June 30, 1969 was \$184,737,207, an increase of \$17,691,116 during the year. Outstanding shares were increased by the issuance of 36,364 shares in connection with the acquisition of the two State of Alaska leases in the Prudhoe Bay area of the North Slope, and by the 157,919 shares issued on January 2, 1969 as a 3% stock dividend.





Accountants' Report

Board of Directors
General American Oil Company of Texas
Dallas, Texas

We have examined the consolidated balance sheet of General American Oil Company of Texas and its consolidated subsidiaries as of June 30, 1969, and the related statements of consolidated income, capital, and source and application of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. Our opinion expressed herein, insofar as it relates to the amounts included for the Stockton, Whatley, Davin & Company investment and net income, is based upon the report of other accountants who examined the financial statements of that unconsolidated wholly-owned subsidiary.

In our opinion, the accompanying balance sheet and statements of income, capital, and source and application of funds present fairly the consolidated financial position of General American Oil Company of Texas and its consolidated subsidiaries at June 30, 1969, and the consolidated results of their operations, changes in capital, and source and application of funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Dallas, Texas
August 14, 1969

Ernst & Ernst



Statement of Consolidated Income

General American Oil Company of Texas
and Consolidated Subsidiaries

GROSS OPERATING INCOME

Crude oil, condensate and casinghead products (Note A).....	\$33,061,328	\$31,572,931
Natural gas (Note A).....	13,383,635	11,923,514
Net income of Stockton, Whatley, Davin & Company, exclusive of extraordinary item of \$370,448 in 1969 included below (Note C).....	1,984,309	1,820,045
Net income of Premier Petrochemical Company (Note C)	306,559	712,694
Transportation and other.....	576,855	660,926
	<u>49,312,686</u>	<u>46,690,110</u>

OPERATING EXPENSES

Operating expenses, exclusive of those set forth below	6,535,525	6,326,221
General and administrative expenses.....	2,478,595	2,246,896
Taxes (Note A).....	3,580,464	3,486,878
Depletion and depreciation (Note B).....	14,200,597	13,098,222
Dry holes and abandonments.....	3,171,165	1,857,940
Lease rentals	397,191	317,479
	<u>30,363,537</u>	<u>27,333,636</u>
	<u>18,949,149</u>	<u>19,356,474</u>

OPERATING INCOME

OTHER (INCOME) AND DEDUCTIONS

Interest expense (Note A).....	2,779,721	3,677,025
Interest and miscellaneous income.....	(2,132,094)	(1,445,076)
	<u>647,627</u>	<u>2,231,949</u>

INCOME BEFORE EXTRAORDINARY ITEM.....

EXTRAORDINARY ITEM (Capital gains, including

gain on the sale of Fargo Oils Ltd. stock in 1968,
less applicable income tax: 1969 — \$137,698;
1968 — \$1,080,491) (Note E).....

644,749 6,197,880

NET INCOME (Notes A and E).....

\$18,946,271 \$23,322,405

INCOME PER COMMON SHARE (Note D)

Income before extraordinary item.....	\$3.36	\$3.32
Extraordinary item — net of tax.....	.12	1.20
Net income	<u>\$3.48</u>	<u>\$4.52</u>

PRO FORMA INCOME PER COMMON SHARE, REFLECTING CONVERSION (Note D)

Income before extraordinary item.....	\$3.23
Extraordinary item — net of tax.....	1.14
Net income	<u>\$4.37</u>

See notes to financial statements.



Source and Application of Funds

General American Oil Company of Texas
and Consolidated Subsidiaries

SOURCE OF FUNDS

	Year Ended June 30, 1969	Year Ended June 30, 1968
Income before extraordinary item.....	\$18,301,522	\$17,124,525
Add: Depletion and depreciation.....	14,200,597	13,098,222
Dry holes, abandonments and lease rentals....	3,568,356	2,175,419
Funds provided from operations.....	36,070,475	32,398,166
Disposal of assets, including 1968 sale of Fargo Oils Ltd. stock, net of income taxes of \$137,698 in 1969 and \$1,080,491 in 1968.....	1,582,831	10,781,167
Proceeds from sale of "carved-out" production payments.	4,500,000	6,250,000
Common stock issued for Alaska leases.....	2,000,000	—
Other	274,306	—
Total.....	<u>44,427,612</u>	<u>49,429,333</u>

APPLICATION OF FUNDS

Capital expenditures:		
Drilling and related equipment costs.....	9,236,591	8,185,405
Gasoline plants and other facilities.....	895,614	1,720,027
Undeveloped leases and rentals.....	7,292,981	1,642,017
Acquisitions of producing properties.....	1,361,501	3,828,674
Less: Acquisition production payments.....	(460,486)	(2,029,000)
	<u>18,326,201</u>	<u>13,347,123</u>
Liquidation of reserved production payments.....	17,356,484	14,448,770
Liquidation of "carved-out" production payments.....	5,845,880	1,325,938
Additions to accounts collectable solely from production — net	2,709,039	4,600,475
Investments in and advances to unconsolidated subsidiaries	2,311,315	3,332,433
Other investments	578,500	—
Cash dividends to stockholders.....	3,216,462	2,761,699
Redemption of debentures not converted.....	—	663,000
Other	—	143,629
Total.....	<u>50,343,881</u>	<u>40,623,067</u>

(DECREASE) INCREASE IN WORKING CAPITAL.....	<u>\$ (5,916,269)</u>	<u>\$ 8,806,266</u>
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See notes to financial statements.



Consolidated Balance Sheet

General American Oil Company of Texas
and Consolidated Subsidiaries

ASSETS

CURRENT ASSETS

	June 30, 1969	June 30, 1968
Cash and certificates of deposit.....	\$ 5,874,229	\$ 13,258,824
Accounts receivable	7,818,147	7,510,069
Prime commercial paper and U. S. Treasury Bills.....	5,250,000	—
Notes receivable from Stockton, Whatley, Davin & Company	1,000,000	4,000,000
Inventories and prepaid expenses.....	750,452	686,989
Total current assets.....	20,692,828	25,455,882

INVESTMENTS

Investment in Stockton, Whatley, Davin & Company (Note C)	12,502,187	11,247,430
Investment in and advances to Premier Petrochemical Company (Note C).....	4,592,300	3,535,742
Other stocks, notes and debentures — at cost.....	690,893	114,057
Total investments	17,785,380	14,897,229

OTHER ASSETS

Accounts collectable solely from production.....	24,061,485	21,352,446
Advances to joint ventures, etc.....	359,154	285,990
Cash surrender value of life insurance.....	539,480	517,856
Total other assets.....	24,960,119	22,156,292

PROPERTY AND EQUIPMENT (at cost)

Producing oil and gas properties (Note A).....	265,737,484	264,320,652
Gasoline plants, pipelines and other equipment.....	9,307,274	8,570,400
Undeveloped leases and royalties.....	10,722,113	4,019,550
	285,766,871	276,910,602
Less accumulated depletion and depreciation (Note B)	122,178,678	112,941,856
	163,588,193	163,968,746
Less unpaid production payments (Note A).....	26,732,337	43,685,002
Total property and equipment.....	136,855,856	120,283,744
	<u>\$200,294,183</u>	<u>\$182,793,147</u>

See notes to financial statements.

LIABILITIES AND CAPITAL

CURRENT LIABILITIES

	<i>June 30, 1969</i>	<i>June 30, 1968</i>
Accounts payable	\$ 10,076,254	\$ 8,527,761
Accrued interest and general taxes.....	524,020	658,906
Federal income taxes payable.....	5,361	265,753
	<u>10,605,635</u>	<u>9,452,420</u>

DEFERRED INCOME (includes proceeds from
production payments sold:
1969 — \$4,904,120; 1968 — \$6,250,000)

4,951,341	6,294,636
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CAPITAL

Common shares, par value \$5.00 per share: Authorized 7,500,000 shares Issued: 1969 — 5,458,227; 1968 — 5,263,944.....	27,291,135	26,319,720
Capital surplus (includes transfers from earned surplus of \$62,961,019 through 1969 repre- senting the excess of market value over par of common share dividends).....	87,334,381	78,026,103
Earned surplus	<u>70,150,384</u>	<u>62,700,268</u>
	184,775,900	167,046,091
Less 632 common shares in treasury in 1969 — at cost	38,693	—
Total capital	<u>184,737,207</u>	<u>167,046,091</u>

CONTINGENT LIABILITIES (Note G)

<u>\$200,294,183</u>	<u>\$182,793,147</u>
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Statement of Consolidated Capital

General American Oil Company of Texas
and Consolidated Subsidiaries

	<i>Common Shares</i>		<i>Capital</i>	<i>Earned</i>
	<i>Number</i>	<i>Par Value</i>	<i>Surplus</i>	<i>Surplus</i>
BALANCE JULY 1, 1967.....	4,532,000	\$22,660,000	\$56,597,827	\$48,286,796
Net income (Note A).....				23,322,405
3% stock dividend (issued January 2, 1968).....	145,863	729,315	5,306,496	(6,035,811)
Cash dividends (55 cents per share)				(2,761,699)
Acquisition of Premier Petrochemical Company.....	34,240	171,200	(161,375)	(111,423)
Stock issued on conversion of subordinated debentures	551,841	2,759,205	16,283,155	
BALANCE JUNE 30, 1968.....	5,263,944	26,319,720	78,026,103	62,700,268
Net income (Note A).....				18,946,271
3% stock dividend (issued January 2, 1969).....	157,919	789,595	7,490,098	(8,279,693)
Cash dividends (60 cents per share).....				(3,216,462)
Stock issued for acquisition of undeveloped Alaska leases (at market value).....	36,364	181,820	1,818,180	
BALANCE JUNE 30, 1969.....	5,458,227	\$27,291,135	\$87,334,381	\$70,150,384

See notes to financial statements.

Notes to Financial Statements

General American Oil Company of Texas and Consolidated Subsidiaries

A — PRODUCTION PAYMENT ACCOUNTING

A major portion of the oil and gas properties has been acquired subject to production payments reserved by the sellers, payable, together with interest and production taxes, solely from the proceeds of oil and gas.

It is the Company's policy to treat reserved production payments on producing properties as a part of the acquisition cost of the properties and to record them as liabilities. Since the Company has no direct liability on these, the unpaid balances are shown as a deduction from the property accounts on the balance sheet. The original amounts included in the gross cost of producing oil and gas properties are \$166,777,719 at June 30, 1969 and \$170,294,224 at June 30, 1968.

Consistent with this treatment, the Company includes in its income the proceeds from the sale of oil and gas applied in liquidation of the production payments. The amounts of such proceeds included under the respective captions and the net proceeds applied in liquidation of production payments during the two years ended June 30, 1969 are as follows:

	1969	1968
Crude oil and gas sales	\$21,130,754	\$19,020,303
Less:		
Taxes	1,429,752	1,334,727
Interest expense	2,344,518	3,236,806
	<u>3,774,270</u>	<u>4,571,533</u>
Net Proceeds	<u>\$17,356,484</u>	<u>\$14,448,770</u>

B — DEPLETION AND DEPRECIATION

The company provides for depletion of producing oil and gas leaseholds and for depreciation of related equipment on a unit-of-production basis. All properties acquired prior to June 30, 1959 have been aggregated for this computation. After that date, the properties acquired in each significant acquisition have been aggregated for computation purposes. The unit rate for each aggregated group of properties is determined by dividing the total cost, which includes the original amount of the related production payments, less accumulated depletion and depreciation, by the estimated oil and gas reserves of the aggregated properties, including that portion required to liquidate the production payments. The Company annually recomputes the reserves used in the computations. Depreciation of other depreciable property is provided on a straight-line basis over the estimated useful lives of the properties.

C — INVESTMENTS

The Company's investments in its wholly-owned subsidiaries, Stockton, Whatley, Davin & Company (SWD), and Premier Petrochemical Company (Premier), are carried at equity in their net assets. Information taken from audited financial statements of the wholly-owned subsidiaries for the year ended June 30, 1969, is summarized as follows:

	SWD	Premier
Current assets	\$58,823,049	\$ 976,401
Investment and other assets	4,455,788	12,049
Property and equipment	5,729,499	6,891,169
	<u>\$69,008,336</u>	<u>\$ 7,879,619</u>
Current liabilities	\$53,959,761(1)	\$ 2,477,319
Long-term debt	2,546,388	2,160,000(1)
Paid-in capital	4,974,907	2,422,869
Earned surplus	7,527,280	819,431
	<u>\$69,008,336</u>	<u>\$ 7,879,619</u>

(1) Includes amounts due to Parent Company

	\$ 1,000,000	\$ 1,350,000
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	SWD	Premier
Income	\$ 7,852,565	\$ 3,591,346
Expenses	5,868,256	3,284,787
Net income before extraordinary item	1,984,309	306,559
Extraordinary item	370,448	—
Net income	<u>2,354,757</u>	<u>306,559</u>
Earned surplus July 1, 1968	6,272,523	512,872
Dividend paid	(1,100,000)	—
Earned surplus June 30, 1969	<u>\$ 7,527,280</u>	<u>\$ 819,431</u>

D — INCOME PER COMMON SHARE

Income per common share is based on the average number of shares outstanding during each year adjusted for all stock dividends.

Pro forma income per share for 1968 is calculated as if the 551,841 shares issued in connection with the redemption of the 4% subordinated debentures on January 19, 1968 were outstanding for the full year, and the related interest on the debentures had been eliminated.

E — FEDERAL INCOME TAXES

There are differences between taxable income and income for financial statement purposes due to intangible drilling costs, percentage depletion and production payment accounting. For the year ended June 30, 1969, there were no federal income taxes payable except on the extraordinary item, and \$168,402 accumulated investment tax credits were used to reduce the computed tax liability on this item.

After application against the current tax liability, the Company has available for future use an investment credit carryforward of approximately \$275,000. No other significant tax carryforwards are available to the Company.

F — RETIREMENT BENEFITS

The Company and its subsidiaries have a pension plan or a profit sharing plan covering substantially all of their employees.

General American Oil Company of Texas has a non-contributory retirement plan, adopted by most of its subsidiaries, in which the normal cost and 10% of past service cost is funded each year. The actuarially computed value of vested benefits is fully funded. Total cost under this plan was \$388,863 for 1969 and \$354,368 for 1968.

Stockton, Whatley, Davin & Company, a wholly-owned subsidiary, has adopted a profit sharing plan, which provides for deferred vesting with benefits payable upon retirement or earlier termination of employment. The cost under this plan was \$269,188 for 1969 and \$202,227 for 1968.

G — CONTINGENT LIABILITIES

In 1956, the lessor of land on which the Meadows Building is located brought suit to cancel the lease. The present lessee, the Employees' Retirement Trust, and the Company are named as defendants in the action. The Trust is protected by title insurance and, in the opinion of the Company's counsel, the suit is without merit.

The Company has guaranteed a \$3,000,000 bank loan of Premier Petrochemical Company in connection with the financing of the construction of the melamine plant. At June 30, 1969, \$1,580,000 of this loan was outstanding.



Ten-Year Summary

General American Oil Company of Texas
and Consolidated Subsidiaries

FINANCIAL POSITION — at June 30,

	1969	1968	1967(1)
Current assets	\$ 20,692,828	\$ 25,455,882	\$ 14,565,169
Current liabilities	10,605,635	9,452,420	7,367,973
Working capital	10,087,193	16,003,462	7,197,196
Investments and other assets	42,745,499	37,053,521	33,467,376
Property and equipment	285,766,871	276,910,602	266,970,095
Less — accumulated depletion and depreciation	122,178,678	112,941,856	102,177,490
Less — unpaid production payments	26,732,337	43,685,002	56,542,926
Property and equipment — net	136,855,856	120,283,744	108,249,679
	189,688,548	173,340,727	148,914,251
Less:			
Long-term debt	—	—	20,000,000
Deferred income	4,951,341	6,294,636	1,369,628
Common stockholders' equity	\$184,737,207	\$167,046,091	\$127,544,623
Common shares outstanding	5,457,595	5,263,944	4,532,000
Common stockholders of record	6,129	5,885	5,451

INCOME STATEMENT — year ended June 30,

Gross operating income	\$ 49,312,686	\$ 46,690,110	\$ 41,173,188
Operating expenses exclusive of those set forth below	9,014,120	8,573,117	7,984,486
Taxes, including those on income	3,580,464	3,486,878	3,167,356
Dry holes, abandonments and lease rentals	3,568,356	2,175,419	1,569,355
Depletion and depreciation	14,200,597	13,098,222	11,943,271
Operating income	18,949,149	19,356,474	16,508,720
Other gains (losses) after taxes	644,749	6,197,880 (3)	—
Interest and miscellaneous income	2,132,094	1,445,076	1,162,372
Interest expense	(2,779,721)	(3,677,025)	(4,841,149)
Net income	\$ 18,946,271	\$ 23,322,405	\$ 12,829,943

Net income per common share(2)	\$ 3.47	\$ 4.43	\$ 2.81
Cash flow (net income plus depletion, depreciation and exploratory expenses)	\$ 36,715,224	\$ 38,596,046	\$ 26,342,569
Cash flow per common share (2)	\$ 6.73	\$ 7.33	\$ 5.77

COMMON DIVIDENDS — year ended June 30,

Cash	\$ 3,216,462	\$ 2,761,699	\$ 1,786,400
Stock (in number of shares)	157,919	145,863	132,000
Cash — per share	\$.60	\$.55	\$.40
Stock — per share	3%	3%	3%

OPERATING STATISTICS — OIL & GAS OPERATIONS

Texas proration — % of schedule allowable	46.31	46.31	34.84
Net crude oil sales — barrels	10,767,637	10,498,750	9,299,141
Net crude oil sales (daily average)	29,500	28,685	25,477
Net gas sales — Mcf	75,266,248	65,933,251	60,718,442
Average price per barrel	\$ 2.91	\$ 2.86	\$ 2.83
Wells operated — gross	1,809	1,862	1,927
Wells owned — net	1,783	1,815	1,861
Annual payroll	\$ 3,319,023	\$ 3,138,655	\$ 3,056,609
Employees — average	400	403	417

(1) Restated for "pooling of interests" with Premier Petrochemical Company.

(2) Based on number of shares outstanding at end of each year.

(3) Represents gain on sale of Fargo Oils Ltd. stock and other capital gains.

1966	1965	1964	1963	1962	1961	1960
\$ 11,708,612	\$ 10,977,804	\$ 11,796,598	\$ 9,671,783	\$ 23,806,768	\$ 23,120,956	\$ 17,466,918
6,950,473	6,060,395	6,084,594	6,702,480	5,811,937	6,620,432	7,018,666
4,758,139	4,917,409	5,712,004	2,969,303	17,994,831	16,500,524	10,448,252
30,860,457	29,297,797	27,007,758	25,171,748	15,131,745	16,005,813	15,464,757
262,524,491	242,520,499	241,086,236	241,708,773	219,729,282	212,892,428	217,122,460
94,133,533	83,747,377	75,893,609	69,931,215	61,590,574	54,243,669	51,702,639
64,511,644	62,772,178	71,574,813	82,665,602	78,421,723	83,594,151	88,475,698
103,879,314	96,000,944	93,617,814	89,111,956	79,716,985	75,054,608	76,944,123
139,497,910	130,216,150	126,337,576	117,253,007	112,843,561	107,560,945	102,857,132
20,426,690	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,070,125
2,077,573	105,509	2,971,795	70,869	8,290,463	6,298,091	4,100,952
\$116,993,647	\$110,110,641	\$103,365,781	\$ 97,182,138	\$ 84,553,098	\$ 81,262,854	\$ 78,686,055
4,400,000	4,275,600	4,069,800	3,960,500	3,470,028	3,431,700	3,337,524
5,371	5,603	5,833	5,711	4,516	4,751	4,676
\$ 36,336,598	\$ 34,306,259	\$ 34,302,728	\$ 32,932,308	\$ 30,744,250	\$ 31,845,117	\$ 27,952,597
7,579,406	7,379,010	7,507,998	7,457,861	7,541,284	7,473,487	7,749,396
2,879,027	2,661,891	2,618,034	2,548,001	2,523,876	2,231,542	2,036,400
2,078,795	2,203,257	1,873,592	1,694,893	1,202,800	3,317,089	5,065,322
10,763,823	9,903,639	10,292,144	9,338,810	8,669,115	9,165,066	8,146,162
13,035,547	12,158,462	12,010,960	11,892,743	10,807,175	9,657,933	4,955,317
3,975	163,414	662,342	735,500	617,347	(331,358)	45,993
941,376	819,483	974,851	971,307	955,984	728,522	681,176
(5,252,385)	(5,206,748)	(5,690,294)	(6,131,849)	(5,977,645)	(5,975,202)	(3,491,877)
\$ 8,728,513	\$ 7,934,611	\$ 7,957,859	\$ 7,467,701	\$ 6,402,861	\$ 4,079,895	\$ 2,190,609
\$ 1.98	\$ 1.86	\$ 1.96	\$ 1.89	\$ 1.85	\$ 1.19	\$.66
\$ 21,571,131	\$ 20,041,507	\$ 20,123,595	\$ 18,501,404	\$ 16,274,776	\$ 16,562,050	\$ 15,402,093
\$ 4.90	\$ 4.69	\$ 4.94	\$ 4.67	\$ 4.69	\$ 4.83	\$ 4.61
\$ 1,734,480	\$ 1,672,913	\$ 1,772,040	\$ 1,759,041	\$ 1,385,455	\$ 1,364,847	\$ 1,322,265
128,172	205,768	109,365	175,582	101,928	100,125	159,644
\$.40	\$.40	\$.40	\$.40	\$.40	\$.40	\$.40
3%	5%	3%	5%	3%	3%	5%
31.32	28.21	28.29	26.93	26.85	27.67	30.05
8,734,195	8,141,908	8,801,834	8,769,094	8,377,330	8,944,562	8,816,273
23,929	22,307	24,049	24,025	22,952	24,506	24,088
51,846,050	48,520,793	43,601,352	37,770,336	32,791,812	28,507,388	13,235,465
\$ 2.82	\$ 2.81	\$ 2.79	\$ 2.80	\$ 2.82	\$ 2.81	\$ 2.75
2,028	2,080	2,250	2,425	2,465	2,458	3,676
1,950	1,956	2,061	2,235	2,205	2,253	3,164
\$ 2,959,772	\$ 2,883,122	\$ 2,887,785	\$ 2,875,002	\$ 2,868,531	\$ 3,095,533	\$ 3,035,529
420	422	435	447	460	505	499



Agents

General American Oil Company of Texas

GENERAL OFFICES

MEADOWS BUILDING
Dallas, Texas 75206

TRANSFER AGENTS

REPUBLIC NATIONAL BANK OF DALLAS
Pacific and Ervay Streets, Dallas, Texas 75201

THE CHASE MANHATTAN BANK
NATIONAL ASSOCIATION
80 Pine Street, New York, New York 10015

REGISTRARS

FIRST NATIONAL BANK IN DALLAS
1401 Elm Street, Dallas, Texas 75201

FIRST NATIONAL CITY BANK
55 Wall Street, New York, New York 10015

DIVIDEND DISBURSING AGENT

REPUBLIC NATIONAL BANK OF DALLAS
Pacific and Ervay Streets, Dallas, Texas 75201

GENERAL AMERICAN OIL COMPANY OF TEXAS

DALLAS, TEXAS

GENERAL AMERICAN OIL COMPANY OF TEXAS

MEADOWS BUILDING

DALLAS, TEXAS 75206

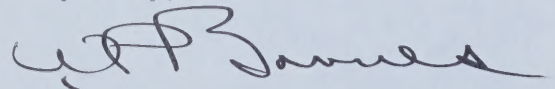
TO THE STOCKHOLDERS:

Since press-time for the enclosed Annual Report several important events have occurred affecting the Company's Alaskan Venture. Hamilton Brothers Exploration Company and its associates were successful bidders at the State of Alaska Oil and Gas Lease Sale held September 10, 1969 for four tracts, comprising 10,235 acres, lying within the mutual area of interest delineated in the General American-Hamilton Brothers agreement. The total of these bids was \$17,609,330. Accordingly, the Company became entitled to an option to acquire a 15% interest in these leases (State of Alaska tracts numbers 49 through 52) by payment of 15% of this amount.

Before the Company made its election, negotiations were entered into with Humble Oil & Refining Company which resulted in an assignment of the option to a Humble-GAO joint venture which exercised the option using funds furnished by Humble. In a separate transaction Humble acquired the Company's interest in the two State of Alaska leases acquired earlier this year from Messrs. T. J. Miklautsch and C. Burglin of Fairbanks, Alaska. The cash consideration was \$2,000,000, which was the approximate market value of the GAO shares involved in the acquisition of these leases from Messrs. Miklautsch and Burglin. Humble will supply all funds for future exploration, development and operation of the leases involved in both transactions. GAO will receive 33-1/3% of the net profits, derived from each venture.

By virtue of these two transactions the Company has recouped its investment in Alaska and retains a significant participation in one of the most prospective and exciting oil and gas areas in North America.

Yours very truly,



President

September 22, 1969

